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The Conference Board

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Human Resources Outlook 1992

A panel of human resource executives forecasts:

- *weak recovery and stagnant unemployment until summer '92*
- *continuation of restructuring and employment cost-cutting*
- *health care issues unresolved, but trend toward national health care policy developing*

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Human Resources Outlook 1992

by Audrey Freedman

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The Conference Board's 1992 Human Resources Outlook Panel

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The Conference Board's annual meeting of human resource experts was held on November 7, 1991. Panel members discussed the current economic situation; the Free Trade Agreement between the United States and Canada; the negotiations over a North American agreement between the United States, Canada and Mexico; education; compensation trends; human resource developments; and political events. This process provided the predictions for 1992 that are reported in the table on page 7. The views quoted were submitted by the participants in writing prior to the discussion. Alan R. Ewalt was not present at the meeting; however, his written views have been quoted in the report.

About the Author

Audrey Freedman is Management Counsellor at The Conference Board. She has been a supervising economist at the U.S. Bureau of Labor Statistics and a member of the staffs of the U.S. Cost of Living Council and Pay Board. She has published over 50 studies on economics, human resources, and management subjects for The Conference Board and leading business journals. She is a member of the Board of Directors of Manpower Inc., and of its Compensation Committee.

From the President

For 15 years The Conference Board has provided business executives with an outlook on human resource issues as seen from the perspective of a special panel of operating executives and human resource experts. The panel attempts to look ahead one year, and more, in identifying and discussing the important issues that will challenge present and future human resource managers.

This year, in addition to focusing on domestic events, the panel discussed North American free trade and its likely implications for human resource issues in the 1990s.

We appreciate the participation of the active and involved members of the Outlook Panel, who generously contributed their time and expertise to the report.

PRESTON TOWNLEY
President and CEO

Executive Summary

The Conference Board's Human Resources Outlook Panel expects a weak economic recovery, with minimal job growth in late 1992. The absence of any cost-push elements in the economy will permit slow restoration of profit margins, and make a longer, more sustained recovery possible. This recovery will not echo the strong growth that followed the 1981-82 recession because the high debt levels that developed over the past decade have left little possibility for stimulation now.

Most of the concerns surrounding the U.S. free trade agreement with Canada, and a proposed agreement with Mexico, involve human resource functions—not management functions. Migration of jobs may occur as a result of a comparative advantage in (1) labor costs—through combinations of higher productivity and lower wages—and (2) in the quality of worker output. Education and training of work forces is thus fundamental to maintaining competitive advantage in global markets.

Health care problems in the United States will not begin to be resolved during 1992, although there is movement toward a national policy. Political focus is more intense this Presidential election year, and it is possible that the general direction of policy change will be discernible by the end of the year.

Continued cost-cutting and other attempts to restore competitive position have led to more "churning" of the work force. Employees on contingent or short-term jobs, and insecure recruits, never develop a sense of corporate purpose, work community, and standards of performance. As a result, human resource executives must find new ways to create mutual commitment among all employees to a common organizational purpose.

Human Resources Outlook 1992

The Outlook Panel forecast that the recovery expected in mid-1992 will be exceedingly weak in terms of job generation. There will not be enough economic growth to relieve the public's greatest fears: job loss, loss of access to health care, and health care costs. The enormous accretion of debt during the 1980s has crippled the nation's ability to generate a recovery or to deal with certain domestic problems.

In spite of these sobering conditions, the prevailing mood of the panel was upbeat in part due to the feeling that the worst of the recession is over and that the foundation for a stronger, longer recovery has been built. Positive news includes a low rate of inflation and general exhaustion of any cost-push factors in the economy. Service industries have begun to streamline and rationalize their operations by paring away excess—including entire business lines—that impedes competitiveness. Manufacturing has been undergoing this process for some time, with continuing benefits. Progress is being made toward a free trade grouping of Canada, the United States and Mexico that will benefit the parties over decades.

The panel's cheer also seemed to be in response to a shift toward "knuckling down" to work. During the past few years of economic stringency, Americans appear to have developed greater "realism" and self-reliance. This may reflect a lowering of expectations, or an acceptance that any improvements in our standard of living are going to be hard-won. Perhaps an undercurrent of guilt about the careless '80s has stimulated our spirit: We know it is time to pay our debts.

Overall Economic Outlook

Current unemployment rates of 6.8 percent (fall 1991) are expected to continue through early summer 1992 (see table). The narrow range of individual forecasts indicates general consensus that any recovery in the labor market will be delayed; a few pessimistic panel members expect a significant increase in unemployment in the first half of the year.

The second half of 1992 will begin to show improvement—but not much. Even the most optimistic panel member does not expect the economy to grow enough

Forecasts for 1992 by The Conference Board's Human Resources Outlook Panel

	Median	*Range*
Increase in employer costs for wages and salaries in private industry	3.9%	3.4 to 4.7 %
First-year wage increases in major union contracts	3.4	2.9 to 4.0
Increase in labor costs per unit of output in manufacturing	0	− 1.0 to 1.5
Rate of inflation (annual increase in Consumer Price Index)	3.5	3.2 to 4.5
	Average rate of unemployment during 1992	
First quarter	6.8	6.7 to 7.4
Second quarter	6.8	6.5 to 7.2
Third quarter	6.6	6.0 to 7.0
Fourth quarter	6.5	6.0 to 6.8

Audrey Freedman
The Conference Board

in the next year to reduce the unemployment rate below 6 percent. The rate fell to 5.5 in 1988, 5.3 in 1989, and rose back to 5.5 in 1990—all at a time when the labor force was growing faster than it has been this year.

Cost-push elements in the economy are expected to be extremely mild. Almost unanimously, panelists forecast that labor costs per unit of output in manufacturing will not rise. This contrasts with the year ended in the third quarter of 1991, when a 2.9 percent increase occurred. Under such circumstances, opportunity for profit growth exists if sales and production begin to rise.

Overall pay increase is forecast to be modest, slightly above the current Employment Cost Index rise of 3.7 percent during the year ended in the third quarter of 1991. However, the recession of 1991, topped off with a weak job market recovery, might be a greater drag on pay than the Panel predicts. Since today's wage offers are based on low labor demand and high supply, the labor market will be "loose" for more than a year to come.

Typically, salary increases in surveys conducted by compensation specialists are higher than pay boosts for the entire economy, and in the 1992 projections this difference is substantial: salary hikes cluster around 5 percent (see table on page 9). Benefit costs were excluded because they are rising independently, seemingly unaffected by the economy; however, they are having a political effect (see "Government Regulation of Human Resources" on page 16).

The rate of consumer price increase is forecast at a moderate 3.5 percent. This figure probably reflects the absence of any cost-push influence since it is close to the current annual rate of 3.3 percent annual (as measured in the third quarter of 1991).

Panelists expressed frustration with the economy's slow response to recovery efforts. David Lewin said:

> "The problem with this picture is that we should be doing better than we are at present. After all, most firms have pruned their overhead and work forces; labor strife is exceedingly rare; unit labor cost pressures are modest; the manufacturing sector is quite productive, including relative to other nations; and interest rates are low. This could reasonably have been expected to result in a milder and shorter recession than has been experienced. In fact, if you believe the Bush Administra- tion, the recession was mild and is now over! I don't believe this."

Overshadowing this stagnancy is a Presidential election year, with its usual impetus to stimulate the economy with deficit spending. According to Rex Adams, "The federal deficit, combined with the political dynamics of the budget agreement, severely limit our options for injecting a fiscal stimulus. Current talk of tax cuts funded from defense savings is unlikely to come to much in the near term because the numbers don't work." Finally, lowering interest rates has not generated much lending because the banks must first work out severe credit quality problems. Moreover, business has not seen opportunities strong enough to motivate more borrowing.

From a business executive's point of view, Richard Sullivan's summation offers prudent advice:

> "We will be facing a continuing task of relentless competition where we will have to be at our best all the time—or someone, or some nation, will be ready to step in and do it for us...Every organization should go into 1992 with a contingency plan for dealing with the downside. It's going to be hard every step of the way."

Specific Industries

Panel members come from a wide variety of industries and regions. Those in services generally have major business customers, and thus are exposed to conditions in primary or secondary goods-producers. A sampling of their observations follows:

> "The defense industry has a unique situation: businesses that develop and build products that require seven to ten years from design to production must do their strategic planning off the front page of the *Wall Street Journal*. Major defense firms that underpin large communities—read southern California—are in a free-fall that no one is prepared for." (Ted Westerman)

> "California is already lagging the rest of the nation by most economic indicators (for only the second time in the nine recessions following World War II), and it will surely lag in recovery even without additional defense cutbacks. Aerospace and other high-tech industries bear the brunt of these cutbacks, with some related impact on construction." (David Lewin)

> "Lead times for deliveries of steel have begun to lengthen, but a cooling Japanese economy will probably result in increased supplies flowing into international markets. That undermines any chance of major increase in steel activity. But, in the steel business where U.S. consumption is in the hundred million ton range, 'the difference between a glut and a shortage is one ton.' " (Roger Phillips)

> "Several industrial sectors that are of particular importance to Conrail seem to be vulnerable: steel, auto and construction. On the other hand, some of the 'bulk'

A Survey of Surveys: Salary Plans

Organization	*Level of Employee*	*1991 Salary Increase*	*1992 Planned Salary Increase*
American Compensation Association	Executive	5.1%	5.2
	Exempt Salaried	5.0	5.1
	Nonexempt Salaried	5.0	5.0
The Conference Board	Executive	5.0	5.0
	Exempt Salaried	5.0	5.0
	Nonexempt Salaried	5.0	5.0
ECS, Inc.	Executive	5.3	5.3
A Wyatt Data Services Company	Exempt Salaried	5.0	5.1
	Nonexempt Salaried	5.9	5.9
Hay Management Consultants	Executive	5.5	5.5
	Exempt Salaried	5.1	5.0
	Nonexempt Salaried	4.9	4.5
Hewitt Associates	Executive	5.3	5.4
	Exempt Salaried	5.0	5.1
	Nonexempt Salaried	4.9	5.0
William M. Mercer, Inc.	Executive	5.6	5.4
	Exempt Salaried	5.2	5.1
	Nonexempt Salaried	5.1	5.0
Sibson & Company, Inc.	Executive	5.6	5.3
	Exempt Salaried	5.1	5.0
	Nonexempt Salaried	5.0	4.9
Towers, Perrin, Forster & Crosby	Executive	5.0	5.1
	Exempt Salaried	4.9	4.9
	Nonexempt Salaried	4.8	4.8

1991 salary increases were considerably lower than projected last year. As the economy remained uncertain, companies scaled back pay increases to contain costs. Salary increases in 1992 are expected to be virtually the same as 1991. However, there will be a real earnings gain for employees if inflation, currently projected to increase by 3.2 percent, continues to lag behind salary increases.

Elizabeth R. Arreglado
Research Associate

Data compiled by:
Marie R. M. Buenaventura
Research Administrative Assistant

Richard Sullivan
Consolidated Rail Corporation

commodity industries may have an upturn for reasons that are ancillary to the direct health of the economy. These include coal (where utilities have needs arising in a change of fuel); grain (where exports may grow); and, over a longer period, trash and recyclables as site locations are approved.

"But, even a strong economy doesn't guarantee growth in the share of the transportation market captured by railroads. During the 1980s, with the longest postwar upturn in history, railroads lost billions in market share to trucks—because truckers learned to do what the customers wanted them to do." (Richard Sullivan)

"We see continued market growth, but not as robust as in the past. Individuals and corporations are watching their spending and we feel it." (John Zimmerman)

Madelyn Jennings looked at the business cycle in terms of advertising:

"The domino effect of mergers in such industries as banking, airlines and retailing often means there is one advertiser instead of the previous two or three. Moreover, the average U.S. adult is exposed to 3,000 marketing messages a day, so getting noticed is the challenge. The outcome of this has been a proliferation of targeted media all vying for the same advertising dollars.

"Those dollars will be spent very carefully. 'Advertising agencies and advertisers are looking for ideas first, value second and then service,' says *USA Today* Associate Publisher, Carolyn Vesper. Little if any space will be purchased without a plan as to the impact of the advertising.

"Our advertising executives believe national advertising will be marginally better in '92. We project continued advertising strength in travel and travel-related services, import automotive, telecommunications and computers and office equipment. We also see development of more regional promotions for packaged goods. But it will be a time of slow, steady improvement versus a dramatic recovery. We hope to reach 10 percent growth (after two poor years) on the national advertising side, helped to some extent by the Olympic Games and the elections.

"The retail advertising industry (which contributes more than 50 percent of newspaper advertising revenues) shows few signs of strength in the near future. Newspaper advertising rate increases are predicted in the 3 to 5 percent range, lower than the 5 to 5.6 percent of 1991."

Sales recovery leads to increased production, which ultimately generates employment. Additions to payroll numbers are derivative and somewhat delayed. There is, on the other hand, an industry that could be described as the labor market itself: temporary help services. Its product is flexible labor supplies that respond instantly to change in business demand. In a sense, if there is any sign of rising business activity, especially if the improvement is uncertain at first, it will lead to demand for more temporary workers. Mitchell Fromstein described his industry's current situation:

"While employment historically lags general recovery, the use of temporary help has been a leading indicator. Demand has been increasing modestly but continually since mid-summer, and those increases are tracking the 1982 recovery pattern. On the basis of this record, I expect that job formation will recover very slowly.

Mitchell S. Fromstein
Manpower Inc.

"It will take six to eight quarters to absorb the excess supply of labor, particularly at the middle-management level. Downsizing is still taking place. On the other hand, we have seen continuing demand for temporary workers in manufacturing throughout 1991, particularly in the Midwest and Southeast, because the weak dollar has been enhancing exports."

Sweeping through the discussion of cutbacks in employment is a recognition that the job market has changed fundamentally. In previous recessions manufacturing workers were hard hit by layoffs, but those layoffs were often followed by either recall or rehiring in another factory. Less and less typical during the '80s, this pattern seems to be gone forever. Manufacturing has improved productivity to the point where fewer first-level workers are needed, and the ones still necessary must be equipped with advanced skills that are scarce in the U.S. work force. This has again highlighted a training deficit developing over more than a decade (see "Technical Training" on page 15).

Rex Adams covered many specific industries in his description of the current recession, but then explained why their deterioration is about to reverse:

"The corporate sector is still struggling to regain profitability in a low inflation environment. The automobile industry is a disaster. Commercial banking and insurance companies have only begun to shake out. Construction and home building are way off. Equipment manufacturers, ranging from IBM to Caterpillar to Tenneco, are in deep trouble. The defense industry is contracting rapidly. The media businesses are awful. Chemicals are depressed. The retailers are in the doldrums. That leaves health services and pharmaceutical industries as profitable, and an outrage to the rest of us. Now, when corporate profits weaken, the effect on employment is almost instantaneous. Companies are no longer willing to ride out bad times without taking immediate measures to get costs down; and the quickest way to get costs down is to get people out. And that's what's happening. Even governors and mayors are doing it.

"All of the evidence suggests that consumers are both pessimistic and worried. They're worried about job security; frightened by the cost of medical benefits and medical treatments. They perceive that they have lost asset value in their homes and savings accounts. They are concerned that their banks might not lend to them. And, even if they are securely employed, they haven't experienced much growth in their after-tax income recently and their consumer debt is already high. So, in that frame of mind, they aren't ready to spend us into an economic boom.

"Having said that, I come back to my basic sense that the economy will work its way out of this recession in the course of 1992. The worst is behind us; we've seen the bottom. Housing and commercial real estate should get slowly better in a low interest environment. The exchange rate on the dollar is about right and most of the corporate sector should begin to make some money abroad while improving their U.S. margins through more cost-efficient operations. A lot of other businesses, particularly service related, have nowhere to go but up. Inventories are in good shape. Much of the nutty financing stuff of the late-'80s is behind us and credit quality has generally improved. In short, there seems enough to go on to get some growth started next year—not spectacular, but solid growth."

North American Free Trade

Labor market and human resource management issues are at the heart of nearly all discussions surrounding free trade with Canada and Mexico. Porous national borders are a great threat to inefficient managements and unproductive workers. Any potential job losses, particularly in manufacturing, excite political nerves in the United States and Canada. It is very difficult to describe, especially, for example, in the few words allotted to a sound bite on television, the more generalized benefits of fluid and growing markets.

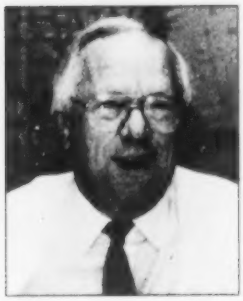
Rex D. Adams
Mobil Oil Corporation

The U.S.-Canada Free Trade Agreement, effective 1989, continues to open trade opportunities between partners. Now, negotiations between the United States and Mexico has begun. Eventually, a North American bloc may erase remaining economic and business borders, with an opening to the south.

Relative worker productivity and labor costs per unit of output help determine where work will be done. Panel members expect that some jobs may migrate to Mexico. Primarily because U.S. (and Canadian) productivity in certain labor-intensive industry sectors is not high enough to sustain the current wage rate. Mitchell Fromstein pointed out that this kind of movement has been going on for years:

"The stress points in NAFTA will be work force costs and productivity levels. Those stresses certainly exist now with access to low-cost labor in Ireland, Portugal, India and Southeast Asia. To the degree that U.S. jobs will be lost to Mexico on the same basis, it seems better when open markets provide economic opportunity for American products and services, which could mean more jobs at home. Initially, there will be bruises somewhere for all of these economies. However, I believe that U.S.-based jobs will continue to grow as a result of the adjustments, and that U.S. systems and management will appear in Mexico as appendages to U.S. operations rather than replacements.

"Canada is a different situation. Much of the Canadian manufacturing base resulted from protective historical site requirements of the Canadian Government. It was anticipated that a Free Trade Agreement on manufactured products would not result in the closing of U.S.-owned plants in Canada. However, many U.S. firms, driven by the need for competitive restructuring and pressured by the recession, folded or compressed Canadian operations. As a consequence, I expect the Canadian negotiators to hold firm on maximum U.S. content (of tariff-free goods) of 40 to 50 percent in an effort to protect the Canadian work force."



Roger Phillips
IPSCO Inc.

Job Migration

Our member from Canada takes this in stride, but suggests that there are differences between the U.S.-Canada and the U.S.-Mexico relationships. There was consensus in the group, in fact, on several points of difference. Roger Phillips observed:

> "I believe that NAFTA will end up as a relatively narrow pact when compared with the U.S.-Canada agreement. Mexico will gain tariff reductions for products shipped to the United States while Americans will become, by treaty, more welcome investors in Mexico. The treaty will include safeguards to preclude other parties such as the Japanese from gaining duty free access to the United States by the back door. Concerns about low wage costs in Mexico should be discounted almost completely. Just as has already happened in South Korea, wages will rise with skill and productivity. In other words, economics will still work!"

Dan Mitchell described the relative position of Mexico as a source of low-cost labor. In fact, this competitive advantage will continue for years to come:

> "Adding a Mexican labor force of about one quarter of the United States' via trade is a significant increase in labor supply. Moreover, the Mexican labor force has a large pool of unskilled workers. The proportion of the Mexican labor force in production/operative occupations is roughly comparable to that in the United States (one-fourth). But Mexico has another fourth in agriculture, compared with about 3 percent in the United States. So Mexico's comparative advantage will be in unskilled, low-wage, labor-using industries—and the Mexican wage in manufacturing is only about one-eighth the U.S. level."

Political opposition to U.S.-Mexico trade has focused on potential job losses for the lowest-wage workers, even though the unions campaigning against open trade generally represent much higher-paid workers. However, unions continue to be interested in increasing wages for workers from the bottom of the scale up to their members' pay levels. This is the meaning of the slogan "take wages out of competition." In the discussion it was pointed out that wages have been falling in the United States, relative to other countries. Now, there is a "bogeyman"—Mexico.

The discussion of job migration returned repeatedly to human resource development. One comment was: "We in the United States don't have a sense of the strategy of developing high value-added industrial activity by investing in our workers." We cannot just be a market; we must be concerned with the long-term fate of our society. John Zimmerman pointed out that job competition is affected by human resource investment:

> "With no changes in how we do business here in the United States we will find ourselves stripped of jobs in every labor-intensive industry. Further, the investment that we need so badly in the United States will migrate right along with the jobs.
>
> "The answer is to develop competitive workplaces in the United States: Workplaces that have a competitive work force in skill and ability—which we clearly do not have now; workplaces that provide support systems to the production of products and the provision of services. In this regard, we constantly fail to capitalize on our technological advantages. Most important, we must put quality standards in our workplaces that are second to none.

John Zimmerman
MCI Communications Corp.

> "If we fail to take these steps and continue down the path that we're on, we'll be betting our country's future on wage levels and this will mean drastically reduced wage levels for nearly all workers in the United States. We will just fall further and further behind."

This criticism stimulated the observation by David Lewin that not all of Mexico's industries involve low-wage, low-technology labor:

> "One additional notable feature of the Mexican economy is the emergence of 'high quality' manufacturing, in for example, automobiles, electronics, and steel products. I believe that this achievement has been overlooked somewhat. Under a new scenario of freer trading relationships, it is likely that foreign investment will be attracted to Mexico for quality enhancement reasons, not just for low-wage reasons. If so, then the pace of foreign investment in Mexico may expand dramatically, and so too will upward pressures on wages."

One interpretation of the benefits of a North American free trade agreement is that it is a necessary response to an emerging world of trade blocs. One panel member observed:

> "We are better off if low-wage work goes to Mexico rather than the Far East or Europe. Benefits are greater if exchange is within the (North American) bloc."

Ted Westerman discussed this bloc in expansive terms:

> "The proposed U.S.-Mexico free trade agreement is one of the bright spots in our economic picture, not only for the rest of this decade but also into the next. When joined with Canada, it represents a potentially formidable trading bloc, particularly in the context of the now semi-moribund EC-'92, and the more important trading of our Pacific Rim neighbors. Not just for the three initial partners, but as a precursor to an All-American (North, Central and South) free trade bloc for the 21st century."

Luis Porfirio Diaz
BANAMEX

Luis Porfirio Diaz described some of the benefits that he expects to develop within Mexico. In general, he sees open borders as having a liberalizing effect, more in political terms than economic. He also reminded the group to think of opportunities for social integration:

> "A free trade agreement should facilitate competition with the European Community and Japan as the major developed markets in the world. But, if the vision promoting the agreement and the engineering are purely economic, we will miss the real value of this historic opportunity. Economic development should not be merely a fine tuning of asymmetries among regions, countries and systems. It has more to do with venturing into an advanced way of dealing with diversity, freedom, democracy and solidarity—redefining alliances and relations.
>
> "A free trade treaty implies conditions that will force alliances of diverse forms, aimed to increase competitiveness and to open the economic system so more flexibility in foreign investment regulations will occur.
>
> "Labor unions are becoming less active in defending ideology. They need to discover relevant needs of younger generations, like more jobs and less social recruitment.
>
> "Regulations protecting the environment will be tightened in accordance with international standards.
>
> "Strong attention will be concentrated on preparing the financial system to compete at a global level. More healthy government finances will be on the front pages of 1992 Mexican newspapers.
>
> "Government is committed to facilitate technology transfer; scientific and technological projects will find a more receptive officialdom. Franchises in this area will move fast."

Education

From its discussion of trade and national competitiveness, the panel moved into the subject of educational preparation of the work force. John Zimmerman phrased it this way:

> "The proposition is simple. We have to change our trade balance. We have to stop exporting jobs and calling for trade barriers to slow the import of products. We must build a competitive work force so we can export products, not jobs."

The country spends "massively" on education, but this has got to be the least effective use of social capital, observed one panel member. Another member said schools continue to push problems into higher and higher age groups, passing the problem onward until it becomes impossible to remedy.

That lead to a discussion of measurement and testing. According to Dan Mitchell:

> "We need a universal or random-sample test of all high school students to check on proficiency. No data; no solutions. Ultimately, though, after all of the testing and after all of the President's moral suasion to raise standards, we will have to throw money at this problem.
>
> "Teachers in Europe, for example, have a highly respected status compared with teachers in the United States. If we want to raise the salaries of all U.S. teachers by 50 percent, it would cost about one-and-a-half percent of the GNP. Is that a lot? It could be done out of currently projected defense savings. But it will not be

Daniel J. B. Mitchell
UCLA

Madelyn P. Jennings
Gannett Company, Inc.

done unless the first step is available: documentation of what exactly goes on in high schools. So that's why I would start with testing."

There seems to be general agreement among panel members that national-level testing is a route to raising standards. It would also lead to more centralization. Madelyn Jennings advocates this move:

"President Bush's America 2000 program calls for voluntary national achievement tests. Other countries do test. Why not us? The 'think global, act local' method of carrying out our education system under the auspices of local boards of education is an anachronism. Why, for example, should a child born in Bridgeport, Connecticut be less deserving of a good kindergarten to 12th grade education than one born in New Canaan, Connecticut?

"Labor Secretary Martin's Commission on Achieving Necessary Skills (SCANS), on which I serve, will be defining the basic competencies needed for many entry-level jobs. Its final report will be issued in 1992 and deserves careful study and support from educators, business, local government, all constituencies. It ties in directly with the America 2000 program.

"Teachers need help. They need to be relieved of bureaucratic paperwork. Multimedia technology can revitalize the role of the teacher as facilitator and coach. IBM's pilot multimedia programs, for example, could be used in solving education weaknesses and responding to the way today's young people learn fastest!

"Currently, education majors come from the bottom quartile of SAT scores. We need to make teaching the respected profession it once was through adequate pay, recognition and training and to upgrade teachers' knowledge of technology. We also need to raise our expectations of what children can achieve. We should lengthen the school year. We should make children who flunk take extra coaching in the summer. Apprenticeship programs should proliferate."

David Lewin supports a radical solution. As long as national standards and testing are being discussed, he proposes, why not place the entire school system within the U.S. Department of Defense? His reasoning is based partly on the argument that a strong economy is a matter of national survival, and that kind of economy depends on a quality labor force. The other part is that we in the United States have not been parsimonious on defense spending:

"With respect to reforms of the educational system, one must ask how the United States can have a public school system which is widely decried while also having a higher education system that attracts students from around the world? One answer is that public schools can't choose their students, whereas higher education institutions (for the most part) can. One implication is that the time has come for the end of compulsory education in the United States. I don't think this will happen in the 1990s, though it deserves debate. Voucher systems and other elements of choice are potential first steps in generating such a debate.

"At the opposite end of this policy-oriented spectrum is to declare public education as a weapons system. Place the Department of Education within the Department of Defense. Instead of defense cuts, shift defense expenditures from hardware to schooling, competency testing, universal certification standards, and the like. Again, I don't envision this happening in the 1990s, but it deserves debate.

David Lewin
UCLA

"I suppose a more realistic starting point is to know exactly where we are in public education. I agree that we need a single, universally administered test (for example, given to high school students) to get an accurate, generic measure of skills, competencies and knowledge. Once this were done, we would be in a better position to know what additional resources will be required to achieve certain objectives with respect to skill, competency, and knowledge level objectives.

"And make no mistake about it, this problem, like most others, has an important economic dimension. If we really want to lengthen the school day and year, require 'hard' subjects of all students, supplement formal schooling with in-the-home schooling, attract higher quality teachers and administrators to the schools, resources will be required. Can anyone really doubt this?"

Technical Training

One of the major problems for employers seems to be technical skills, or at least sufficient preparation in mathematics and logical thinking to serve as a foundation for technical training. Rex Adams stated:

> "Both capital and technology require advanced skill sets in the people associated with their application. These skill sets are partly social and partly conceptual. To the degree that they are conceptual, they rest on a core mastery of mathematics and science. Nobody with walking-around sense can be satisfied with the level of preparation our children are getting in these critical disciplines, relative to our own past standards or in comparison with the societies we compete against economically."

The hospital services sector has traditionally had an image of scientific proficiency at the top, supported by many caregiving personnel whose main skills are interpersonal and empathetic. Hospitals also had large groups of relatively unskilled workers involved in maintaining facilities, handling housekeeping and food services, and administering records and finances. Alan Ewalt pointed out that this era is finished; all of these jobs now require advanced technical skills:

> "The hospital industry is looking for persons well prepared to deal with highly technical environments. That not only means workers who understand the operating principles of a computer, it means people with the basic skill to absorb large amounts of technical, numerical and verbal data, and to translate these facts into decision-useful management information.
>
> "Our hospital maintenance personnel, dietary personnel and other disciplines that usually require only a high school diploma plus advanced certification in their field are now faced with: reading and understanding regulations; operating computer-based monitoring and operational programs; and communicating, both orally and in writing, concise reports, observations and analyses of an operational nature."

There are some dilemmas for managers. If they invest in long-term needs for a trained work force, they may be accused of wasting precious resources needed today, on the *possibility* of a future need. Moreover, such spending may redound to the interests of another employer, since both students and employees are mobile and may take the investment elsewhere. Ted Westerman concludes that the most prudent path is to develop joint training programs with schools to "recycle" present employees:

> "Those of us in high-tech business are alarmed by the probability of a shortage in the mid-'90s of skilled employees. Today, however, we find ourselves with an excess.

Alan R. Ewalt
National Medical Enterprises

> "We are now laying off substantial portions of our best-trained work force because there is no work to support their retention. Because of productivity increases, we would be reducing some level of employment even if business remained constant. It is very difficult to persuade our boards of directors that we must now develop an infrastructure to prepare for that perceived shortage. What if we're wrong?
>
> "Graduates coming out of our technical universities are increasingly foreign, and a great many of those graduates are leaving the country. There is also a large flow of minorities into the work force. Educational preparation is not adequate to provide the quantity and quality of employees that we need.
>
> "All this leads to my conclusion that businesses must set up an infrastructure to recycle their employees from disciplines that become outdated, into those that meet requirements for the future. We must work in partnership with the educational institutions to bring this about."

In terms of the whole society, however, high technology skills represent a small segment of need. The entire panel described situations in which new workers or applicants are unable to read, reason their way through a sequence of actions, or diagnose a problem logically. Some referred to high school and even college graduates—not school dropouts. General thinking ability is the issue that covers the entire population. Mitchell Fromstein pointed out:

> "The lack of a current shortage masks a future problem that will emerge as the recession and downsizing come to an end: fewer entrants, more dropouts, and lower levels of work-readiness.
>
> "I believe that while better educational quality is needed, we are not going to be a society comprised solely of technicians and engineers. It is a fact that 70 percent of our work force functions at very low technology levels that can be taught or trained to almost anyone if a strong initiative is developed.
>
> "Educational reform should be aimed first at the disadvantaged and socio-economically dislocated. The objective should be work-related skills that can qualify them for work force entry.

Gene R. Remoff
ARA Services, Inc.

"One cannot move easily or succeed in the labor market if one is not in it. It is true that females, immigrants and minorities cannot move easily or as far as others in the present work force but the 'classes' are slowly dissolving and opportunities to advance will improve for those who pursue them. It is the best we can hope for in the short term."

Gene Remoff closed the discussion with a charge to human resource professionals—make noise about training and education! Perhaps those most damaged by weak public education are corporations, but executives may not fully recognize this. Remoff wants to change that:

"Participation in the HR Outlook Panel gives me and other panel members an opportunity to talk directly to our associates who are HR practitioners (because we know from phone calls each year how extensively this report is read).

"I do not believe most senior managements including many CEOs, COOs and division presidents realize the extent to which the quality of our work force is becoming a limiting factor. They hear about it, but not very often from their own staffs (who don't like to be seen as making excuses and 'being negative'). They don't directly experience it. Our best-trained, best-prepared, best-behaved employees are the only ones who get assigned to the boss' office or to his immediate staff executives. The boss will have the hi-potentials paraded in front of him. Unless the boss does a lot of undirected wandering around and spends considerable time poking inside a department, some of these issues will go unobserved as they manifest themselves. People we didn't hire (and jobs we left unfilled because qualified candidates were not available) are invisible. Top executives will not see the unpromotable employees with limited skills.

"HR practitioners have to surface this resource issue in ways that are vivid and meaningful to our top management in order to gain enough attention. We have got to get these concerns on the agenda because they can dramatically affect the strategic programs and directions charted at the top of the organization."

Government Regulation of Human Resources

In order to assess the burden of government intervention on management, the panel was asked which particular regulation, rule or law should be dismantled. From their answers it is possible to generalize: it is the bureaucratic detail, the compliance formality that is most burdensome. Some of these regulations are troublesome because they were designed decades ago to repair situations that no longer exist. Some petty formalities have grown like weeds, covering the field and raising costs without any benefit to the public or to business. Some laws dealing with union-management relations are of nugatory effect in the participative work environment of the 1990s.

The sum total of all responses, however, suggests that government intervention in the basic functioning of the labor market is not, in the United States, a serious problem.

"In general, U.S. society has less regulation than virtually any other nation. The only area of which I am aware, where U.S. regulation exceeds others, is in discrimination issues. This, I believe, is the result of the massive diversity of our work force as compared with others." (Mitchell Fromstein)

Gene Remoff suggested that local and state regulation is a problem, and that the real problem at the federal level is a political desire to have business, rather than the public treasury, fund social programs:

"State and municipal laws, which have proliferated in a number of areas impacting human resource management, are presently much more problematic for any corporation that operates nationwide and even regionally. Three problem areas are drug testing, state mandates regarding workers' compensation, and health care plans. The potential for broadly effective and efficient approaches is being overwhelmed by statutes that have been created with support from influential interest groups. The recent rash of state restrictions on managed care is an example of such a crazy-patchwork inhibitor. It is largely driven by health care providers who see managed care as a threat to their economic self-interest.

"I am afraid we in the business community (or our less enlightened predecessors) brought most of the federal regulation on ourselves. Principal labor laws and rulings were often responses to brutalizing or arrogantly imperial management practices. Similarly, Title VII of the Civil Rights Act, Employment Retirement Income Security Act of 1974 (ERISA), plant closing regulations, and other legislation can be traced to highly visible and sometimes pervasive exploitation by certain corporations. Of course some of those laws remaining on the books seem irrelevant in light of present-day management practices and principles that have been elevated

way beyond the standards that were introduced to protect public interest.

"If we have a concern at the federal level it should be with the recently surfaced strategy of an election-driven Congress; a Congress seemingly impotent in re-ordering our national spending priorities, straightening out our tax system and re-defining where such tax revenues should be returned to the public. That strategy is manifested in a penchant for mandating human and social services on employers with an almost swashbuckling 'cost-be-damned' attitude. Politically, that is a fairly safe route for the Senator or Congressperson. But constantly looking in that direction to solve problems can be disastrous to the competitive ability of our businesses, large and small, particularly in markets that invite global competition."

Remoff has taken a street-level view of legislative impulse, one that suggests the powerful influences of special interests, public anger about corporate irresponsibility, and lawmakers' need to palm off social costs on enterprise. There is also the coolly rational view of legislative activity. David Lewin suggested that all regulations dealing with human resources be reviewed comprehensively in one package:

"To begin to address reforms in this area, we must conceive of labor/human resource regulation as a large system or portfolio within which trade-offs can be made.

"What we do now and have done for most of this century is to treat each regulation in isolation (e.g., immigration, labor relations, fair labor standards, discrimination, workers' compensation, pensions). What I propose be done instead is to lump all these regulations under the label of 'portfolio,' as we sometimes do in the area of tax law. Consider, for example, how reductions of overtime pay premiums could be used, in part, to finance a new system of national health insurance. Or consider how private pension systems could be better integrated with public pension systems as well as leave policies, portable health care provisions, and so on. The toughest question in this area is how to get a system or portfolio approach on the legislative agenda of the Congress and state legislatures. Perhaps its time for The Conference Board to publish (or commission) a special report on 'Regulating Labor/Human Resources in the U.S.: A Portfolio Approach to a Competitive Problem.' "

This lofty view may insufficiently cover the tiny details of regulation—those small pebbles that make the shoe fit badly and hurt. Four of the panel members suggested that such details need to be changed:

"I would pray that a body of wise persons could revisit the entire compliance apparatus created around ERISA. The costs associated with all aspects of the specific compliance requirements, and the complexity of maintaining the qualified status of benefit plans, are excessive, particularly for smaller businesses, and surely serve as a deterrent to many of these firms when they consider providing benefits for their employees. They also provide a grazing ground for a secondary industry of lawyers, consultants, and software packages, adding to costs but not to benefits. Obviously, public regulation is required because tax-favored status is conferred, but the wit of man should be able to accomplish appropriate oversight without such a bewildering array of compliance reporting requirements." (Rex Adams)

"We would like to see Section 414(n) of the Treasury regulations abandoned. It purports to assure that pension benefits are provided to people who are borderline employees of a company (i.e., they are employed and paid by third parties and used by a company on a continuing basis as contingent workers). The provision has had the effect of reducing the number of contingent workers used at various work sites but has not provided permanent jobs in exchange. The regulations use the threat of taxation to prohibit various practices instead of addressing the real problem and legislating the use of contingent workers as many other countries do. It requires costly record-keeping and premature termination of work assignments and it prohibits flexibility on the part of employers and employees." (Mitchell Fromstein)

"The provisions of Federal Employers Liability Act of 1908 (FELA) apply almost exclusively to railroads and result in far greater costs than workers' compensation. But our real problem with the Act is the adversarial relationship that it automatically inserts in the employer-employee relationship. Moreover, because it ultimately relies on litigation to produce a result, it puts injured employees at risk as to the amount of compensation, if any, they will receive in any particular situation. In short, it's not fair, it's not effective, and it's not constructive.

"The special disability provisions of the Railroad Retirement Act provide a narrow basis of possible re-employment, which facilitates the granting of a disability claim even though the employee would be capable of performing constructive work. In effect, it makes it easy for some employees to receive income for choosing not to work. At the same time, the Americans with Disabilities Act (ADA) will require employers to make accommodations for those who are disabled but who do want to work. In these two statutes, public policy is clearly going in opposite directions with the employer at risk in both." (Richard Sullivan)

"The manner in which ADA is administered should be watched carefully. This truly enlightened legislation could turn into a nightmare if knowledgeable people of compassion and common sense aren't at the helm delivering fair determinations on reasonable accommodation.

"Non-discrimination provisions of such benefits as 401(k) savings plans which include part-time workers in the formula are unwieldy. There is no purpose in a coun-

try which should encourage those who can to save—and not penalize savers because others can't or won't save.

"Immigration Reform (where the I-9 form administered upon employment turns personnel people into immigration agents) is not working.

"Current wage and hour law regarding compensatory time is archaic. Requiring compensatory time off to be taken within the same pay period that the overtime is worked flies in the face of today's employee interests." (Madelyn Jennings)

One of the regulations that seems most out-of-date is labor law—almost 60 years old—which deters the creation of employee participation groups. The rationale for prohibition was that companies would create and control "sham" unions in order to keep out independent labor organizers. However, in the past decade or two, employers are likely to be much more interested in raising the level of participative teamwork than fending off unionism. Roger Phillips described the current situation:

"Section 8(a)(2) of the National Labor Relations Act has been used by bureaucrats to discourage the use of employee participation committees in non-union organizations. The National Labor Relations Board (NLRB) has determined that an employee committee is a labor organization when it deals with or is formed for the purpose of dealing with the employer over terms and conditions of employment. This would cover any activity in the workplace. Today in North America there is a strong tendency to eliminate first-line supervision and bring the decision-making activity down to the lowest level of the organization. Based on increasingly competitive business conditions, all employers will have to increase their consultation with employees through the most effective process—the committee. The NLRB seems to be telling us that except in circumstances where employees choose to be members of the Teamsters, Steelworkers, Auto Workers, or the like, they should not be allowed to participate in the decision-making process as it affects their workplace."

Interestingly, unions are maintaining (in current hearings convened to consider a change in NLRB traditions) that the old threat continues, and that if any worker participation is desired it has got to be done through union organizations. David Lewin wondered whether unions are really in favor of employee freedom of choice. Ted Westerman commented on union thinking:

"Worker-management cooperation groups have become a natural outgrowth of teaming efforts that are growing through many high-tech businesses. Requirements for productivity increases (which lie in the creativity and common sense of the employee doing the work) have led toward the creation of "teams" where the supervisor effectively becomes a facilitator and communicator.

"In companies where the relationship between the people doing the work and the leadership is not continuously strained, the creation of employee-management work teams offers very little threat of sham unionism. Where the relationship is not good, the likelihood is, of course, much greater. The cliche that businesses get the unions they deserve was never more true. However, unions have contributed to their own demise through their lack of foresight and penchant to fight the last war."

Health Care

The panel achieved consensus on some limited areas in health care, and then began to fragment as the discussion grew specific. However, it is clear that management thinking has moved beyond the straightforward consideration of techniques for cutting or shifting costs of benefit plans. Public policy is now on the agenda.

There was a complete consensus that health care is a prime voter concern for the 1992 election year. However, the panel also agreed that there will be no resolution, no comprehensive reform in the next year. Two panel members felt that a direction "toward" a national solution will emerge this year, because the election has begun to look like a plebiscite on health care; and one member added, "perhaps on the matter of access."

A more wobbly consensus was achieved in a kind of broken run toward the goal line: single-payer proposals are not going to go away, and they will be more and more seriously considered—unless something better comes along. Finally, the panel thought that one of the biggest (but solvable) problems is access to care, or "continuation" of access. No wonder Congress and the administration seem to be stymied.

Providing a Canadian perspective, Roger Phillips said:

"Yes, health and health coverage is a political issue and one which will not go away. In Canada where conservatives fought the introduction of universal health care in the 1960s, no politician of any stripe would dare to suggest major changes today. I predict the same concern for health will grip U.S. voters, especially employees of small firms where there are not enough employees to average down risks and where, should someone contract a disease which is costly to treat, the employer cannot afford to continue the coverage."

Rex Adams described some of the interest groups involved, but his overall view suggests we have reached an impasse:

"Employers who provide coverage for their employees want cost shifting stopped but otherwise do not regard the problem as 'their problem.' Insurance underwriters are tenacious in defense of the principle of risk-rating premiums. Health care providers want an end to the hassle of trying to shift the cost of uncompensated care.

"And yet, the conscience of the country remains troubled by the notion that millions of working people who are struggling to make ends meet in low-wage jobs effectively lack access to health care for themselves and their families. This is a political issue centered on access, but it is expanding in ever-widening circles to call into question the continued viability of the U.S. system of decentralized, employment-based health care.

"In the meantime, employers will continue to pursue current strategies designed to shift part of the cost of medical insurance to their employees while concurrently embracing various cost containment initiatives such as managed care, utilization reviews, case management and other measures of this sort. These strategies are having some effect, but do not provide a long-term solution since the savings they generate tend to adjust on a one-time basis and do not address the rate of inflation. Perhaps because of the growing realization of this fact, I sense an amazing shift in sentiment within the corporate sector toward a national health solution.

"Speaking for my company, which is relatively capital intensive and has done a somewhat more significant job at cost control and cost shifting than other companies, we would not welcome a transference of this problem to the tax base. So, for our part, we will continue to soldier on along our present course."

Several statements edged toward accepting that some national system will eventuate. Ted Westerman, for example, felt that business management of the entire health care system could be improved:

"I think the position that most of us in industry have taken (and will continue to take for the predictable future) against some sort of national health care is outdated. We are going to be best served if we take the lead in designing the program. We have demonstrated, during the '70s and the '80s, with cost out of control, that by plan redesign and provider relationships we can put the medical profession on a more cost-efficient basis while still permitting the innovation and creativity that occurred in health care technology.

"The administrative overstructure of health care delivery systems is a clear opportunity for bringing about efficiencies. I wouldn't want to overstate how much we can improve cost effectiveness merely by slamming medical claims processing offices together. I think that there is an administrative dimension to the medical providers where the efficiencies, redundancies, and overutilization efforts could bear more fruit. Just the administrative issues having to do with malpractice insurance and the very heavy cost-shifting could be dealt with as a part of a business-developed approach to national health care."

David Lewin topped off his description of the reasons and path toward national health care with a proposal for "sunset" legislation that would end the experiment and allow redirection after a trial period:

Ted G. Westerman
Hughes Aircraft Company

"As work force reductions continue, and as average employee tenure with a private employer continues to decrease, the population 'at risk' in terms of not having access to employer-provided health care plans will grow. This is why the political debate over this issue is growing and will grow further.

"We are stumbling toward some type of universal health care coverage system. This may take the form of national health insurance, which I think it will, or it may take the form of one giant private system in which the role of private providers is coordinated so that each of them, in effect, has a piece of the action. The dominant issue will be which actors in this private-(like) system get which pieces of the health care pie.

"One possibility is the enactment of 'sunset' legislation for universal health care coverage. The United States could experiment with, say, a five-year national health care coverage law. This would permit us to test out the effects—benefits and costs—of such a law over a multi-year period. At the least, it would permit us to stop depending on other countries' experiences with universal health care coverage to argue for and against the adoption of such a system in the United States. My proposal also has implications for the way in which we regulate human resources more broadly in the United States; I had more to say about this previously." (See "Government Regulation of Human Resources," p. 16.)

There was discussion of various proposals requiring all employers to offer some basic health insurance to their workers, often referred to as "mandatory" health insurance. Such measures superficially appear to eliminate public expenditure, but often must incorporate parts of the public systems, Medicare and Medicaid, to extend coverage to all. Also, employer-mandated health benefits do not deal clearly with the increasing mobility of workers. John Zimmerman explained:

"We must recognize that this mandatory health coverage would still not address the unemployed, the unemployable, children and other dependents of covered employees who have no dependent coverage. It is at best

a partial solution. Sooner or later we must face up to a national health policy. A free enterprise system of medical service delivery is just not efficient and is further reduced in effectiveness by cost shifting, duplication, malpractice insurance costs, and many other factors. It may result in another lousy bureaucracy but that would be better than the fragmentation and lack of control we have now. We have got to be protected from paying millions of dollars that do not deliver medical care."

Madelyn Jennings pointed out that Americans would resist the kind of rationing that other national systems contain. The existence of numerous public and private commissions and public-interest councils does not seem to have brought national consensus so far, perhaps because of the various private agendas of interested parties. Yet another try might be useful if it were not politicized:

"The United States and South Africa are the only industrialized countries without a national health policy. The Government Accounting Office estimates $67 billion in savings (10 percent of total costs) in insurance company and government claims handlers if we had a health care system similar to Canada's. However, any move toward a Canadian or British system would require a major re-education of our people. They have grown up expecting instant access to health care. The possibility of health care rationing is totally foreign. Providing this re-education would certainly be a challenge.

"Consider the interests—providers, hospital and physicians, insurance industry, various size employers, employees in general, government. Each group has its own agenda. And the physicians have backward incentives for efficiency. They must do more things to people, or charge more, to increase their own income.

"The current dozen or so pieces of proposed federal legislation are feeble attempts. Is there a way to bind us together for the national good through some blue ribbon panel or commission representing all the interests agreeing to abide by such a commission's recommendations? This might be a start toward breaking the impasse."

Dan Mitchell has given up on this idea, claiming that a piecemeal (perhaps "helter-skelter") approach will prevail because it is the American way:

"Note that one thing that health administrators in our decentralized system try to do (rationally) is to push costs to someone else's program (e.g., workers' compensation, spouse's insurance, Medicare). But at the national level this is a zero-sum game; it doesn't reduce costs. Rather, it reshuffles them.

"The American solution will be something that uses the existing private providers (thus buying them off). However, it will attempt to coordinate providers in the aggregate as if they comprised a single national plan. This means no rejected coverage due to pre-existing illnesses, fees for coverage based on national experience (not company experience), and financial transfers between carriers to compensate those who happen to end up with high risks.

"We will probably stumble into each of these features one by one rather than design the whole thing at once. Decentralized stumbling and a piecemeal approach is the American way.

"You can see the ground shifting already. Look at the recent switch by the American Medical Association toward a favorable approach to some kind of new national plan. All the players will begin jockeying for position as the debate unfolds. Again, this is the American way."

Employee Transiency vs. Common Purpose

Human resource management used to concern itself with a stable group of workers, augmented at a carefully measured pace by new recruits, by retirements and some terminations for cause.

However, transiency throughout the corporate work force has become commonplace as a result of competitive conditions. Major downsizings, terminations and early retirements continue to undercut former job security. Subcontracting, employee leasing, temporary and other contingent work arrangements create a more remote, arms-length relationship between management and employees. In addition, various pressures on benefits seem to be driving employees and managers toward individual self-responsibility and away from connecting bonds with the company.

What happens to teamwork, formal structure, and common purpose in a corporation so centrifugally affected? What happens to standards ("the way we do things around here") when there is no remaining sense of "we"? Rex Adams offered the first answer:

"This is a good question. I have been struck by the degree to which major companies are struggling with precisely this set of issues. People talk about TQM projects, consultancy skills, organizational development interventions and related matters. These initiatives all stem, in large measure, from the perceived need to find new ways to set standards, motivate performance, gain allegiance; the need to find new paradigms for organizational effectiveness in the aftermath of having effectively destroyed the former paradigm based on a sense of community.

"I sense there is a new maturity and a new realism in industrial organizations today. Yes, the old contract has been broken. Yes, there is a compelling need to find new drivers of organizational performance to replace traditional expectations and incentives. But what most impresses me is the degree to which most companies are effectively addressing the problems, and the positive

response most of us are getting from our employees. The motivation comes from the desire of autonomous individuals to perform at their capacity and to be rewarded according to their performance, as well as their insistence on full communications of expectations and shared responsibility for outcomes. This is a better, more realistic world."

Most of the panel members considered the job of involving employees in decision-making as primarily a human resource concern. However, corporate executive levels also seem to view employees as a single group. David Lewin does not see the situation that way:

"What of the concern that new organizational and work force churning—downsizing, vendoring, contingency arrangements—will weaken the common purpose of business enterprises? I don't buy it because I believe that this common purpose has been widely overstated.

"Most businesses have a common purpose among a few high-level managers and executives, far less so among other organizational members. Recall that stability and security—of customers, managers, and employees—have been most closely associated with monopolies and oligopolies, not competitive organizations. Enhanced competition thus implies more organizational and work force churning—instability. The question becomes how best to adjust to such new churning.

"The lesson is that employee involvement/participation applies to some organizational members, the core—and not to others, the periphery. In this sense, some instability of employment seems to serve the purposes of virtually all businesses."

The general consensus was that transiency in the work force is beneficial, or at least that it is not creating extreme problems. Several descriptions of the change are quite upbeat.

"Some of the standards (the way we do things around here) need new and continuing scrutiny and change; many of those standards are what contributed mightily to the need for downsizings, terminations, and early retirement programs. But the centrifuge of change can be accompanied by the cohesion of the central core. And while I can't explain that in the sense of physics, I believe that is the real stuff of the management task.

"There is no doubt that the concept of job security has been undermined and that the 'we' factor in corporate organizations could be jeopardized. The only antidote is continuing open and candid communication about the status of the enterprise, the requirements of the customers, and the vision of the necessary elements for future success. Organizations and individuals with illusions about job security are going to hurt themselves; those with an accurate understanding of job security probably also have a good picture of what needs to be done to achieve it." (Richard Sullivan)

"In my view many corporations during the good old days didn't have the teamwork and common purpose that now is lamented as lost. If they did, the boss, whether right or wrong, called the shots; some employees dutifully responded, others voluntarily left for greener pastures, or—if they were low enough on the hierarchical ladder—did what they had to do to get by and still live with themselves.

"There are many companies that were not facing Chapter 11 or 7 that have downsized, reduced staffs and layers through terminations and earlier retirement window plans, subcontracted, hired contingent workers, etc....with the purpose of becoming more competitive and more effective. And guess what, they have succeeded in achieving that desired result.

"Now let's look at those who remain in a restructured organization. They discover, quite often, that there is clearer focus and understanding of organizational purpose, more explicit communications on what good performance is supposed to look like, less layers of managers who review and approve what they do, less staff reports, analysts and meetings, and more encouragement to do what it takes to serve the client or customer. In general, an uplifting of organizational vitality. And if that's not all, the happily missing old stuff is being replaced by true work teams, boss-subordinate dialogue and agreement on common purpose, and a general increase in employee identification with and power over the work they do and how they do it. Managements are even getting better at acknowledging where they need to be directive in their leadership practices.

"Something else is happening that could have a significant impact on how people view and identify with their employer and the employer's product or service offering—and how managements may come to view their work forces and organization structures. It is the emerging phenomena of strategic alliances also referred to as strategic partnerships. These are relationships between two or more firms established to present a certain product or service package to a particular target customer or market." (Gene Remoff)

"Both corporate managements and their work forces are undergoing one of the most profound transitions in our nation's history. The need for change is a result of excesses which were practiced in a sort of vacuum in the '70s and '80s. Expectations were driven to an unreasonably high level and costs rose dramatically in the absence of a price-competitive marketplace. The situation today requires a retreat from that environment in all functions and at all levels. The downsizings, outsourcings and contingencies are short-term adjustments which will, in my opinion, eventually give way to the need for teamwork, common purpose and formal structure. The typical core work force will be lean and well-protected and will have standards, structure and purpose. They will be supported by flexible elements.

Isn't that the Japanese way, which has been so widely respected and successful? The problems today are those of witnessing the transitional adjustments without seeing the final results. I am optimistic." (Mitchell Fromstein)

The theme of optimism, of course, arises out of human resource executives' jobs. They do not like downsizing, they like developing working groups. The core of an HR job is development and training. Alan Ewalt expressed this HR viewpoint clearly:

"One of the stimulating aspects of organizational behavior is the resilience after an organization 'downsizes.' Many do, in fact, come out stronger. The organization heals itself from the surgery and pulls together to fight for its survival. New work teams emerge and a new spirit or standard can emerge. The emergence of new standards may be just what was needed to turn the course for a business, to make it more competitive. The organization will learn the new behaviors required. Commitment must be rebuilt, and the extent to which this is done will largely dictate the eventual success of the change.

"People are generally highly adjustable. The more change they are accustomed to, the more likely that they will take to another change quickly (e.g., the more workers are accustomed to continual improvement, the more likely they'll be to embrace a new, improved method)."

In the midst of this U.S. culture of employee development, Mexican cultures seem wildly different. Yet they, too, are undergoing change because of exposure to competition and "new ways." On the other hand, Luis Porfirio Diaz does not indicate rapid adjustments in his description of changed circumstances:

"Mexican approaches to human resource management are related to two major historical tendencies. On the one hand, there are the native and Spanish paternalistic styles—meaning the boss is the more rational part of the relationship between authority and subordinates. On the other hand, there are autocratic and efficiency-technocratic values imported alongside with recent modernization of the country. These are still conceived as foreign implantations of alien organization cultures.

"Financial institutions are among the more retarded and conservative entities in human resource management. They still lack innovative leadership. For years to come, founder families will collide with institutional and professional managers supported by mergers with foreign parties. The family founder culture is predominant and castrates opportunities for developing real managerial generations."

Madelyn Jennings returned to practicalities: What do employees expect of their company, however short-term the relationship may be?

"The new employees want training, developmental opportunities, recognition, and the feeling of being 'inside the ropes' by knowing what's going on as it affects their company and them. They also expect nurturing and flexibility—in scheduling, in personal time, in job structure.

"The corporation that is tuned in to these expectations will not necessarily have a less productive work force. It just may not be as long-term a work force. The bonds that tie teams and common challenges together are *very* powerful. Even the older loyal employee was driven by some of the same aspirations as the new employee...to grow, to make more money, to be recognized as an achiever. The work force may be less stable, but it may be every bit or more of a contributor to the organization.

"People may play on different teams throughout their career, but that doesn't mean they'll play less hard or with less commitment than if they only signed with one team."

John Zimmerman summed up the needs of 1992 and beyond:

"Change is clearly the operative word in describing the relationship between employers and employees in today's work environment. This relationship must be constantly evaluated and redefined. There was a time, less than 20 years ago, when it was a simple equation. The employers gave security and the employee gave loyalty. The evolution of yesterday's work environment to today's work environment has brought about a very significant change in the definition of this relationship. Today loyalty is not exchanged for security; it is far more complex. The employer is asked to provide openness and information, fairness and truth, and opportunity for a meaningful career. The employee is asked to provide contribution and productivity as well as skill and competence resulting from self-development.

"As we look at this new, constantly changing workplace paradigm, we need to identify keys to success. First, there must be a greater awareness of common purpose and how corporate objectives are interrelated with individual objectives. Second, there must be a strong definition of fundamentals or bedrocks. Change is clearly guided and fostered by what doesn't change."

The objectives of employee management have been shifting rapidly in recent years, augmenting rather than transforming the task of human resource executive. Recently, cost-cutting pressures have made it seem that terminating employees, reducing benefits, contracting work out, and sloughing off divisions and departments are the dominant activities. The panel senses that this pressure will continue, but they are ready to get on with the job in good spirit.

Human resource officers also sense that they are responsible, more than others, for the long-term future of their businesses. Rex Adams said:

"Fundamentally, the human resource role is to maintain organizational integrity over the long term, because the operating people are acting in the *very* short term, milking the company of its own future and leaving the problems for successor managers."

The "long term" means assuring that the present and future productive capacity of the business is not impaired by cost cutting. It also means maintaining flexibility and adaptability among the entire work force, including managers. It means building morale at a time of economic stagnation, and fostering teamwork when individuals feel more alone and "at risk" than ever before.

In other words, it is a tough job.

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